

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

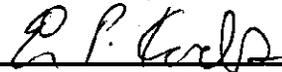
RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TOLLEY
TO MMA INTERROGATORIES MMA -T7-1 - 3
(November 19, 2001)

The United States Postal Service hereby provides the response of witness Tolley to the following interrogatories of MMA: MMA/USPS-T7-1 - 3, filed on November 5, 2001. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:



Eric P. Koetting

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November 19, 2001

RESPONSE OF POSTAL SERVICE WITNESS TOLLEY TO
MMA INTERROGATORIES

MMA/USPS-T7-1 Please refer to pages 31-57 of your Direct Testimony where you discuss factors that affect First-Class volumes, particularly the shifting within First-Class of single piece letters to workshare letters over the past five years.

- A. In evaluating this shift for letters, please describe those letters as they existed within First-Class single piece, prior to shifting to the worksharing category, assuming that the letters were later to be prepared by a presort bureau.
- B. In evaluating this shift for letters, please describe those letters as they existed within First-Class single piece, prior to shifting to the worksharing category, assuming that the letters were later to be prepared in-house by the mailer.
- C. Please quantify approximately which portion of these letters shifted because they were to be prepared by a presort bureau versus the letters prepared by an in-house by the mailer.

RESPONSE:

A-B. I do not understand what sort of description you have in mind. In most respects, I would expect that letters that shift from single-piece to workshared letters would be similar both before and after the shift, regardless of whether those mailings were to be prepared in-house or by a presort bureau.

C. I have not found information on which to base an estimate of the portion of letters that shifted from single-piece to workshared letters that were to be prepared by presort bureaus versus in-house by the mailer.

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MMA INTERROGATORIES

MMA/USPS-T7-2 Please refer to Table 1 on page 5 of your Direct Testimony.

- A. Please confirm that between the base year and test year (before rates) you show that First-Class single piece letters will decline by about 3.5 billion pieces. If you cannot confirm, please explain.
- B. Please confirm that between the base year and test year (before rates) you show that First-Class workshare letters will increase by about 5.0 billion pieces. If you cannot confirm, please explain.
- C. Please estimate how many of the 5.0 billion piece increase in workshare letters originate from the single piece category but will shift to the workshare category. Please explain your answer.

RESPONSE:

- A. Confirmed.
- B. Confirmed.
- C. The information available to me does not permit a reliable estimate of this shift. To illustrate the problem, migration from single-piece to workshared First-Class letters is reflected in the logistic time trends in the single-piece and workshared First-Class letters equations. Factors other than shifting may also influence the trends, preventing estimation of shifting based on the trends. The time trend terms account for a decline in single-piece First-Class letters volume of approximately 2 billion pieces from the base year to the test year, and an increase in workshared First-Class letters volume of a similar magnitude. While one might be tempted to infer from these results that 2 billion of the 5 billion piece increase in workshare First-Class letters is due to shifting, this inference is not warranted. For example, figures are not available on the portion of First-Class letters that are devoted primarily to advertising. If there was an increase in First-Class letter advertising over the period as seems reasonable in view of the increase in Standard A mail, and if it was concentrated in workshare letters as also seems reasonable in view of the multiple pieces involved in advertising mailings, part of

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MMA INTERROGATORIES

the workshare trend would be due to advertising and not shifting. Analogous considerations apply to single piece letters. Reasons for volume decline in single piece letters reflected in the trend term, in addition to shifting, include the long term decline in household to household mail and non-electronic diversion, as discussed in my testimony from line 3 page 48 to line 6 of page 49. It would be necessary to estimate the effects of these other influences on trends before an estimate of the amount of shifting could be made.

RESPONSE OF POSTAL SERVICE WITNESS TOLLEY TO
MMA INTERROGATORIES

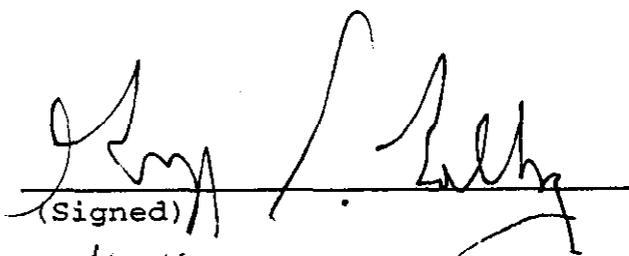
MMA/USPS-T7-3 Please describe the pieces, as they existed within First-Class single piece, prior to shifting to the worksharing category between the base and test years.

RESPONSE:

Please see my response to MMA/USPS-T7-1.

DECLARATION

I, George Tolley, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information and belief.

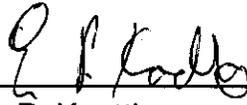


(Signed)
11-16-01

(Date)

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



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